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LINCOLN DOWNTOWN
DEVELOPMENT AUTHORITY
Alcona County, Michigan

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GENERAL PURPOSE FINANCIAL STATEMENTS
Year Ended April 30, 2004

LEGAL COUNSEL
FINANCE DIV.

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Lincoln Downtown Development Authority	County Alcona
Audit Date April 30, 2004	Opinion Date June 10, 2004	Date Accountant Report Submitted to State: June 10, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

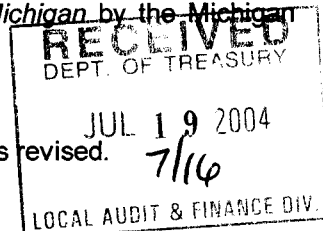
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			



LINCOLN DOWNTOWN DEVELOPMENT AUTHORITY
Alcona County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

June 10, 2004

To the Authority Board
Lincoln Downtown Development Authority
Alcona County, Michigan

We have audited the accompanying general purpose financial statements of the Lincoln Downtown Development Authority, Alcona County, Michigan, as of April 30, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Lincoln Downtown Development Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lincoln Downtown Development Authority, Alcona County, Michigan, as of April 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

LINCOLN DOWNTOWN DEVELOPMENT AUTHORITY
Alcona County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

April 30, 2003

EXHIBIT A

	<u>Governmental Fund Type</u>	<u>Account Group</u>	<u>Total</u>
	<u>General</u>	<u>General Fixed Assets</u>	<u>(Memorandum Only)</u>
<u>Assets</u>			
Cash in bank	5 000 00	-	5 000 00
Investments	195 699 78	-	195 699 78
Land	-	189 227 74	189 227 74
Buildings	-	90 202 89	90 202 89
Equipment	-	165 327 60	165 327 60
Total Assets	<u>200 699 78</u>	<u>444 758 23</u>	<u>645 458 01</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	-	-	-
Fund equity:			
Investment in general fixed assets	-	444 758 23	444 758 23
Fund balance:			
Unreserved:			
Undesignated	200 699 78	-	200 699 78
Total fund equity	<u>200 699 78</u>	<u>444 758 23</u>	<u>645 458 01</u>
Total Liabilities and Fund Equity	<u>200 699 78</u>	<u>444 758 23</u>	<u>645 458 01</u>

The accompanying notes are an integral part of these financial statements.

LINCOLN DOWNTOWN DEVELOPMENT AUTHORITY
Alcona County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Year Ended April 30, 2004

	<u>Total (Memorandum Only) Governmental Fund Type General</u>
Revenues:	
Property taxes	111 250 87
Interest income	644 33
Miscellaneous	<u>4 922 38</u>
Total revenues	<u>116 817 58</u>
Expenditures:	
Other functions:	
Downtown Development Authority:	
Administrative fee	20 000 00
Board members	4 500 00
Contracted services	25 000 04
Audit	4 145 00
Legal	500 00
Supplies	72 11
Secretary – Treasurer	800 00
Advertising	34 00
Repairs and maintenance	8 930 00
Economic development	24 445 40
Internet	1 359 40
Beautification	5 649 91
Fire department	2 500 00
Car show	3 915 00
Festival of lights	449 82
Other grants	23 588 62
Capital outlay	<u>35 334 49</u>
Total expenditures	<u>161 223 79</u>
Excess (deficiency) of revenues over expenditures	(44 406 21)
Fund balance – beginning of year	<u>245 105 99</u>
Fund Balance – End of Year	<u>200 699 78</u>

The accompanying notes are an integral part of these financial statements.

LINCOLN DOWNTOWN DEVELOPMENT AUTHORITY
Alcona County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND EXHIBIT C
Year Ended April 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	110 755 00	111 250 87	495 87
Interest income	600 00	644 33	44 33
Miscellaneous	<u>4 772 00</u>	<u>4 922 38</u>	<u>150 38</u>
Total revenues	<u>116 127 00</u>	<u>116 817 58</u>	<u>690 58</u>
Expenditures:			
Other functions:			
Downtown Development Authority:			
Administration fee	20 000 00	20 000 00	-
Board members	5 525 00	4 500 00	(1 025 00)
Contracted services	25 000 00	25 000 04	04
Audit	2 345 00	4 145 00	1 800 00
Legal	500 00	500 00	-
Supplies	157 00	72 11	(84 89)
Secretary – Treasurer	800 00	800 00	-
Advertising	200 00	34 00	(166 00)
Repairs and maintenance	55 000 00	8 930 00	(46 070 00)
Economic development	37 000 00	24 445 40	(12 554 60)
Internet	1 360 00	1 359 40	(60)
Beautification	11 000 00	5 649 91	(5 350 09)
Public services development	26 000 00	-	(26 000 00)
Trail development	5 000 00	-	(5 000 00)
Fire department	3 500 00	2 500 00	(1 000 00)
Car show	3 915 00	3 915 00	-
Festival of lights	1 500 00	449 82	(1 050 18)
Other grants	25 029 00	23 588 62	(1 440 38)
Capital outlay	<u>41 500 00</u>	<u>35 334 49</u>	<u>(6 165 51)</u>
Total expenditures	<u>265 331 00</u>	<u>161 223 79</u>	<u>(104 107 21)</u>
Excess (deficiency) of revenues over expenditures	(149 204 00)	(44 406 21)	104 797 79
Fund balance – beginning of year	<u>149 852 00</u>	<u>245 105 99</u>	<u>95 253 99</u>
Fund Balance – End of Year	<u>648 00</u>	<u>200 699 78</u>	<u>200 051 78</u>

The accompanying notes are an integral part of these financial statements.

LINCOLN DOWNTOWN DEVELOPMENT AUTHORITY
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
April 30, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Lincoln Downtown Development Authority, Alcona County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

The Lincoln Downtown Development Authority was established to correct and prevent urban deterioration and encourage economic development, neighborhood revitalization and historic preservation within the Village of Lincoln. The Authority is a discrete component unit of the Village.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Authority contain all the Authority funds and account groups that are controlled by or dependent on the Authority's executive or legislative branches.

The reporting entity is the Lincoln Downtown Development Authority. The Authority is governed by an Authority Board. As required by generally accepted accounting principles, these financial statements present the Authority as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from intergovernmental revenues.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

LINCOLN DOWNTOWN DEVELOPMENT AUTHORITY
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
April 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. These revenues are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15 with the final collection date of February 14 before they are added to the county tax rolls. The Authority captures property taxes from the Village of Lincoln, the Township of Gustin and the County of Alcona.

LINCOLN DOWNTOWN DEVELOPMENT AUTHORITY
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
April 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets

Purchases of general fixed assets are recorded as expenditures in the General Fund at the time of purchase. Such assets are capitalized at cost in the General Fixed Assets Group of Accounts except for certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Gifts or contributions are recorded in general fixed assets at fair market value at the time of receipt. No depreciation has been provided on the general fixed assets.

Investments

Investments are stated at market.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore, no liability has been shown in the financial statements in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences."

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Authority Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Authority Board.

LINCOLN DOWNTOWN DEVELOPMENT AUTHORITY
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS

April 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Authority Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Authority Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Authority provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

LINCOLN DOWNTOWN DEVELOPMENT AUTHORITY
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
April 30, 2004

Note 2 – Deposits and Investments (continued)

The Authority Board has designated one bank for the deposit of Authority funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Authority's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>5 000 00</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	5 000 00
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>5 000 00</u>

The Authority's investments are categorized below to give an indication of the level of risk assumed by the Authority. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Authority or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Authority's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Authority's name.

The GASB Statement No. 3 risk disclosures for the Authority's investments are categorized as follows:

LINCOLN DOWNTOWN DEVELOPMENT AUTHORITY
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS

April 30, 2004

Note 2 – Deposits and Investments (continued)

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk-Categorized:				
Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized:				
Financial Institution Pooled Funds				<u>195 699 78</u>
Total Investments				<u>195 699 78</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 3 – Changes in General Fixed Assets

A summary of the changes in general fixed assets follows:

	<u>Balance 5/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 4/30/04</u>
Land	193 649 04	-	4 421 30	189 227 74
Buildings	57 264 00	32 938 89	-	90 202 89
Equipment	<u>162 932 00</u>	<u>2 395 60</u>	<u>-</u>	<u>165 327 60</u>
Totals	<u>413 845 04</u>	<u>35 334 49</u>	<u>4 421 30</u>	<u>444 758 23</u>

Note 4 – Deferred Compensation Plan

The Authority does not have a deferred compensation plan.

LINCOLN DOWNTOWN DEVELOPMENT AUTHORITY
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS

April 30, 2004

Note 5 – Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Authority has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 6 – Pension Plan

The Authority does not have a pension plan.

Note 7 – Total Columns on Combined Statements--Overview

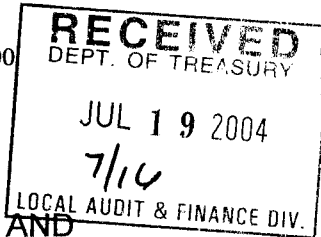
The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 10, 2004

To the Authority Board
Lincoln Downtown Development Authority
Alcona County, Michigan

We have audited the financial statements of the Lincoln Downtown Development Authority, for the year ended April 30, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Lincoln Downtown Development Authority in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Authority Board
Lincoln Downtown Development Authority
Alcona County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Authority Board
Lincoln Downtown Development Authority
Alcona County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Lincoln Downtown Development Authority will begin with the year ended April 30, 2004, and will need to be implemented fully by April 30, 2005. The daily operations and recording transactions should not change significantly, however, the Authority Board will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Authority's financial statements and this communication of these matters does not affect our report on the Authority's financial statements, dated April 30, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants